

Present Scenario of Green Banking Practices Followed by Private Commercial Banks in Bangladesh: A Descriptive Analysis

Md. Sazzadur Rahman Khan¹ Md. Ashraf Ali²

¹ Department of Business Administration, Stamford University Bangladesh, Dhaka, Bangladesh

E-mail: tipu06bd@yahoo.com

² Department of Business Administration, The Millennium University, Dhaka, Bangladesh

E-mail:ashrafrupab@gmail.com

Correspondence: 1740, East Dania, Janatabug, Kadomtoly, Dhaka-1236, Tel: +8801914884694.

Received: August 02, 2016

Accepted: August 06, 2016

Online Published: August 10, 2016

Abstract

The study was conducted to find out the Present scenario of green banking practices in Bangladesh. Green banking is not just a corporate social responsibility activity; it is all about going beyond to keep the world livable without any significant damage. Green banking that considers all the social and environmental factors is also called ethical banking. The main objective of green Banking is to ensure the use of organizational resources in favor of the environment and society. Green banking as a concept is proactive and smart way of thinking with a vision for future sustainability of our only Spaceship earth. Bangladesh Bank is the first central bank in the world that has taken real initiatives to facilitate the way of Green banking practice. With some specific guidelines and legal frameworks the central bank of Bangladesh has been urging all the commercial banks in Bangladesh to develop their own Green Banking Policies.

Keywords: BACH, ERP, EDW, E-Tendering, E-Recruitment, LSSD.

1. Introduction

The economic development of any country is inextricably linked with environmental issues because activities of financial institutions may boost wealth creation as well as environmental degradation. Bangladesh is identified by climate change experts as being among the countries more severely challenged by climate change threat with correspondingly high urgency of preparedness with mitigate and adoptive responses. The government and the central bank of Bangladesh fully conscious about this issue and have played a proactive role in this regard. As being realized that bank as a responsible financial institution has a significant role to play in these game changing developments, Bangladesh Bank, the central bank of Bangladesh has taken the first initiative to make activities of the financial institutions of Bangladesh more environmentally responsible at the beginning of the year 2011. Green Banking as a concept of sustainable banking practices was formally introduced in Bangladesh on February 2011 with the development of an indicative Green Banking Guideline for Banks and Financial Institutions by Bangladesh Bank. The main objective of this guideline is to give a detail and indicative advice to all the commercial banks of Bangladesh to adopt environment friendly financing policies as well as to take appropriate initiatives to make internal operations more energy efficient and environment conscious.

2. Literature Review

Climate change is the most complicated issue the world is facing. Across the globe there have been continuous endeavors to measure and mitigate the risk of climate change caused by human activity. Many countries over the world have made commitments necessary to mitigate climate change. As socially responsible corporate citizen, Bangladeshi banks have a major role and responsibility to support and supplement the government effort towards substantial reduction in carbon emission. Normally we can consider the banks as environment friendly with their

operational activities but it is important that the environment can be effected greatly by the activities of their customers. The banking sector is one of the major sources of financing industrial projects such as Brick field, Steel, Paper, Cement Chemicals Fertilizer, Power, Textiles etc., which cause maximum carbon emission. Therefore, the banking sector can play intermediary role between economic development and environment protection, for promoting environmentally sustainable and socially responsible investment. (www.bangladesh-bank.org) Green Banking refers to the banking business conducted in such areas and in such a manner that helps the overall reduction of external carbon emission and internal carbon footprint. To aid the reduction of external carbon emission, bank should finance green technology and pollution reducing projects. Internally the banking operations have considerably increased the carbon footprint of banks due to their massive use of energy e.g. lighting, air conditioning, electronic / electrical equipments, IT, high paper wastage, lack of green buildings etc. Therefore, to adopting green banking, bank should adopt technology, process, and products which result in substantial reduction of their carbon footprint as well as develop sustainable business. Some green banking strategies are. (Kalloch, Amy Bachman, Bonnie 2011).

Green finance is an investment in better lives for next/multiple generations. Greener buildings save community organizations and families money, support healthy development and benefit the environment by reducing utility costs and creating better environments for people, animal and for this planet. Environmental finance or green finance is a part of both environmental economics and the conservation movement. It is the use of various financial instruments to protect biodiversity. It encompasses all market-based instruments designed to deliver environmental quality and to transfer environmental risk. (Morshed, M 2011) Internally, banks are a relatively clean sector. The environmental burden of their energy, water and paper use is not comparable to many other sectors of the economy. But by financing activities Bank play a fundamental role in public policy and economic performance as well as in all forms of commerce and industry. However, those working in the financial sector are largely unaware of the rationale and pressures for sustainable development. By now, many banks are actively involved, however, and are attempting to get the better of one another's green activities. (Kalloch, Amy Bachman, bonnie 2011)

3. Objectives of the Research

- To provide overall scenario about green practices in Bangladesh.
- To show the budget utilization of Green Banking followed by private commercial Banks.
- To encourage the green practices for each and every banks by central bank.

4. Methodology of the Research

This is a descriptive research in nature, which briefly reveals the green banking activities of the private commercial Banks in Bangladesh. To prepare this report all the necessary information collected from both primary and secondary sources of data. Around 47 banks have been studied as well as specialized Banks and state owned Banks. External Sources like Books, Articles, Journals, Newspaper, Web browsing etc, have been used.

5. Discussion

5.1. Green Banking Initiatives by Bangladesh Bank

Taking into account the adverse effects of climate change and progressive action worldwide, Bangladesh Bank, the central bank of Bangladesh, has shown a deep commitment towards the vision of green world through green initiatives. Bangladesh Bank is the first central bank in the world which has taken real initiatives according to a definite agenda in its vision and mission to play a specific role in Green Banking.

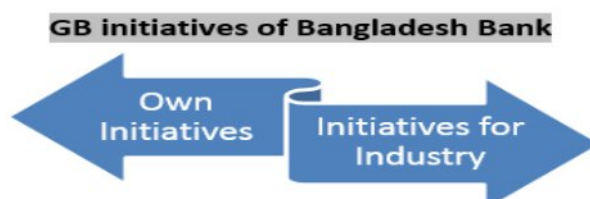


Figure1. GB Initiatives of Bangladesh Bank.

5.2. Own Initiatives

Bangladesh Bank has taken some exemplary initiatives for it to promote green banking in Bangladesh and to encourage other organizations to make such steps to protect the environment. The initiatives include:

5.2.1. Refinance Scheme

BB is providing to the lending banks refinance at five percent interest per annum, from a taka 2.00 (two) billion refinance window accessible against financing for revolving eco-friendly or “Green” initiatives like installation of bio mass based, solar and other renewable energy generation units, effluent treatment plants, adoption of new energy efficient output processes and so forth. As of December 2014, taka 853.54 million out of taka 2.0 billion revolving fund allocated by BB to the following green categories (Annual Report of Green Banking of BB, 2014)

Table1.Categories of Refinance Scheme of “Green” initiative

Solar irrigation pump	23.90
Solar home system	102.84
Biogas plant	262.70
Effluent Treatment Plant (ETP)	90.40
Hybrid Hoffman Kiln (HHK)	124.80
Solar PV module assembling plant	248.80
Total	853.54

Source: Annual Report of Green Banking of BB, 2014

5.2.2. In-house Green Initiatives

BB is concentrating on its in-house green activities through the most effective utilization of resources (power, gas, fuel, water, paper etc.)

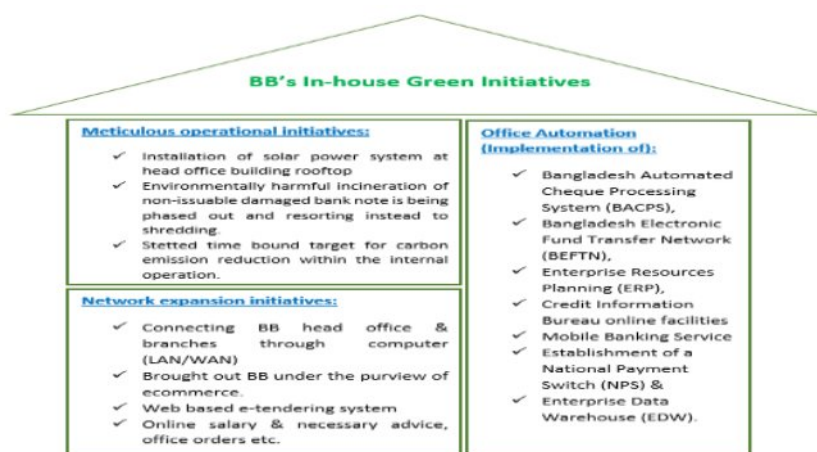


Figure 2.BB's In-house Green Initiatives

Source: Annual Report of Green Banking of BB, 2014

- With a move towards encouraging green banking in Bangladesh, Bangladesh Bank installed 8 kilowatt solar power system on its rooftop in March 2010. This is now being extended to 20 kilowatt to cover more areas.
- LED bulbs are being installed to bring significant energy efficiency.
- As part of central bank automation, Bangladesh Automated Clearing House (BACH), Credit Information Bureau online, Enterprise Resources Planning (ERP), Enterprise Data Warehouse (EDW), e-tendering, and e-recruitment have come into reality. National Payment is in live operation since 2014. Southeast, Pubali&

BDBL are now connected with NPSB and doing live transaction.

- The overall banking functions of Bangladesh Bank (including all departments and branch offices relating to banking functions) have been brought under automation by implementing the Banking Application Package that includes Core Banking Module, Treasury Management Module and Market Infrastructure module.
- All the departments of Bangladesh Bank Head Office and its nine branch offices have already been brought under a computer network (LAN/WAN), connecting more than 3,800 PCs.
- Environmentally harmful incineration of non re-issuable damaged bank notes is being phased out, resorting instead to shredding.
- Online salary and other necessary advice, personal file updated information, office orders, notification online balance statements for all employees of BB, electronic passes for visitors are instantly available.
- A recent initiative has been taken to convert the 30-storied building of Bangladesh Bank into a Green Building with the modern facilities of rain water harvesting, waste water recycling and motion sensor energy efficient bulbs supported by window based solar panels.

5.3. Initiatives for the Industry

With the different initiatives of in-house green activities, the authority has developed an indicative Green Banking Policy on February 27, 2011 which aims to provide a detail guideline to all the commercial banks to adopt Green Banking policy. In this policy guideline BB has shown the strategic roadmap of green banking under three phases.

5.4. Budget Allocation for Green Banking Activities

Banks are required to allocate a considerable amount for green banking in their annual budgets, which will include:

- Budget for green finance
- Budget for Climate Risk Fund and
- Budget for Green Marketing, Training & Capacity Building.

According to the Annual Report of Green Banking of Bangladesh Bank 2014, the scheduled 47 commercial banks of Bangladesh have allocated a total of BDT. 109352.18 million for green banking activities based of the above three categories.

Table 2. Budget Allocation for Green Banking Activities

Amounts are calculated in million TK				
Type of Bank		Allocation for green Financing	Allocation for Climate Risk fund	Allocation for Marketing, Training and Capacity Building
State Owned		5000.00	415.00	610.00
Commercial Banks				
Specialized Banks		1350.00	430.20	20.00
Private Commercial Banks		58297.99	1283.15	179.10
Foreign Commercial Banks		41712.92	17.00	36.72
Total Amount		106360.91	2145.35	845.92
Total Allocation For Green Banking in 2014				109352.18

Source: Review of CSR initiatives of banks-2011, Bangladesh Bank July 2012

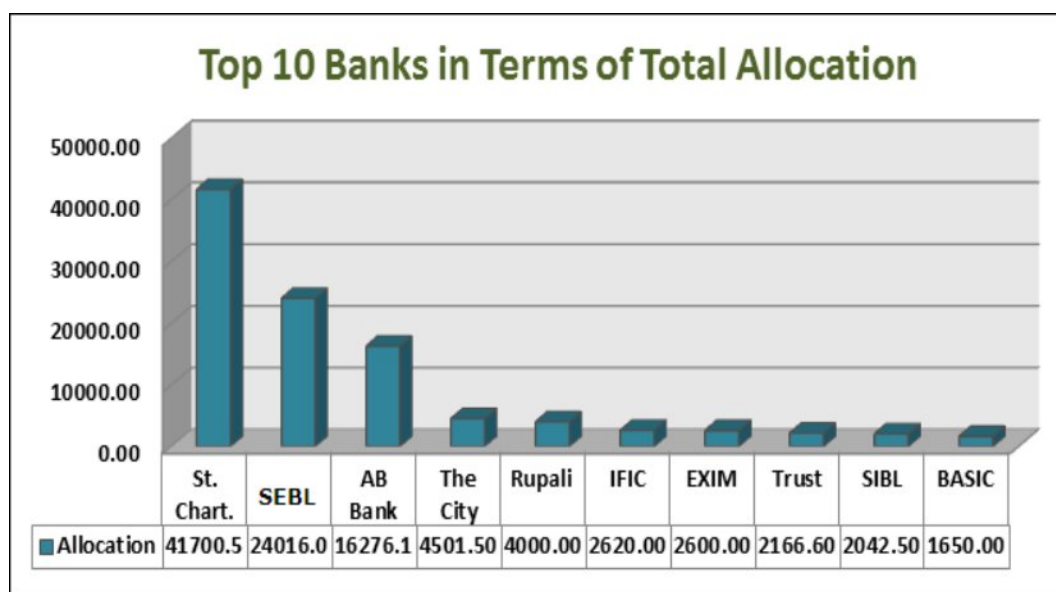


Figure 3. Top 10 Banks in Terms of Total Allocation.

Source: Review of CSR initiatives of banks-2011, Bangladesh Bank July 2012

5.4.1. Budget Allocation and Utilization for Green Banking

Table 3. Budget Allocation and Utilization for Green Banking.

Budget Allocation and Utilization For Green Banking (in Million TK.)										
Serial	Name of Banks	Green Finance			Climate Risk Fund			Marketing Training and R&D		
		Allocation	Utilization	Degree of Utilization	Allocation	Utilization	Degree of Utilization	Allocation	Utilization	Degree of Utilization
State Owned Commercial Bank										
1	Sonali	1500.00	7601.43	Against	0.00	9.00	Against	0.00	0.00	NoA/U
2	Janata	0.00	1325.06	Against	0.00	0.00	NoA/U	0.00	0.00	NoA/U
3	Agrani	500.00	165.48	Under	15.00	0.00	NoU	10.00	0.00	NoU
4	Rupali	3000.00	5295.76	Against	400.00	3.66	Under	600.00	0.75	Under
	Sub Total	5000.00	14387.73		415.00	12.66		610.00	0.75	
Specialized Banks										
5	BKB	0.00	5.90	Against	0.00	0.00	NoA/U	0.00	0.00	NoA/U
6	RAKUB	150.00	6.67	Under	0.20	0.00	NoU	0.10	0.00	NoU
7	BDBL	0.00	121.69	Against	0.00	0.00	NoA/U	0.00	0.00	NoA/U
8	BASIC	1200.00	6848.76	Against	430.00	0.00	NoU	20.00	0.00	NoU
	Sub Total	1350.00	6983.02		430.20	0.00		20.10	0.00	
Private Commercial Banks										
9	The City	4500.00	595.12	Against	1.00	0.00	NoU	0.50	0.50	Under
10	U.C.B.L	200.00	7972	Against	10.00	0.00	NoU	2.00	0.00	NoU
11	AB Bank	16265.91	24934.31	Against	10.00	10.00	Full	0.25	0.03	Under
12	IFIC	2600.00	3040.94	Against	15.00	0.01	Under	5.00	0.03	Under
13	National	128.00	260.53	Against	20.00	0.00	NoU	2.00	0.03	Under
14	Uttara	70.00	108.04	Against	10.00	0.00	NoU	5.00	0.04	Under
15	Pubali	5.00	19192.40	Against	5.00	0.00	NoU	0.00	0.00	NoA/U
16	Eastern	24000.00	16589.49	Under	10.00	1.00	Under	6.00	0.00	NoU
17	NCCBL	0.00	37.58	Against	0.00	0.00	NoA/U	0.00	0.00	NoA/U
18	Dhaka	50.00	3603.73	Against	8.00	0.00	NoU	2.00	0.00	NoU
19	Southeast	10.00	24009.80	Against	0.00	0.00	NoA/U	0.00	0.00	NoA/U
20	Prime	380.00	3589.40	Against	60.00	0.00	NoU	60.00	0.03	Under
21	DBBL	20.00	10150.65	Against	5.00	0.00	NoU	5.00	0.00	NoU
22	Mercantile	88.30	4046.55	Against	4.00	0.00	NoU	5.00	3.00	Under

23	One	829.36	10352.23	Against	0.00	0.00	NoA/U	19.30	0.08	Under
24	EXIM	2500.00	17616.28	Against	50.00	31.25	Under	50.00	15.00	Under
25	Premier	0.00	3787.50	Against	0.00	0.00	NoA/U	0.00	0.00	NoA/U
26	Standard	50.00	19365.30	Against	1.00	0.00	NoU	0.00	0.00	NoA/U
27	FSIBL	100.00	26.50	Under	0.00	0.00	NoA/U	0.00	0.00	NoA/U
28	BCBL	0.00	2.50	Against	0.00	0.00	NoA/U	0.00	0.00	NoA/U
29	MTBL	60.00	154.37	Against	5.00	0.00	NoU	0.50	0.07	Under
30	Trust	2165.55	2357.15	Against	1.00	0.00	NoU	0.05	0.05	Full
31	Bank Asia	1200.00	31492.38	Against	3.00	0.22	Under	6.50	0.00	NoU
32	Al-Arafa	500.0	1117.97	Against	10.00	0.00	NoU	5.00	0.01	Under
33	ICB Islamic	1.00	602.99	Against	0.15	0.00	NoU	0.00	0.00	NoA/U
34	Islami	542.37	54290.01	Against	50.00	92.00	Against	0.00	16.73	Against
35	SIBL	1040.00	5501.98	Against	1000.00	0.00	NoU	2.50	5.67	Against
36	BRAC	0.00	837.03	Against	0.00	0.84	Against	0.00	0.00	NoA/U
37	Jamuna	0.00	1440.43	Against	0.00	0.00	NoA/U	0.00	0.00	NoA/U
38	Shahajalal	992.50	4261.42	Against	5.00	0.00	NoU	2.50	0.00	NoU
	Sub Total	58297.99	276657.64		1283.15	135.32		179.10	40.82	
Foreign Commercial Banks										
39	CB of Ceylon	15%	18.37%	Against	10.00	0.00	Under	0.00	0.00	NoA/U
40	St. Cert	41674.89	48450.82	Against	4.30	0.02	Under	21.38	0.78	Under
41	SBL	2.40	2.85	Against	1.80	0.00	NoU	1.80	0.00	NoU
42	HABIB	0.13	0.00	Against	0.00	0.00	NoA/U	0.00	0.00	NoA/U
43	NBP	0.00	185.00	Against	0.00	0.00	NoA/U	0.00	0.00	NoA/U
44	Citi N.A	20.00	36869.00	Against	0.00	0.00	NoA/U	3.24	0.00	NoU
45	HSBC	0.00	1790.00	Against	0.60	9.65	Against	9.90	0.00	NoU
46	WOORI	0.00	0.00	Against	0.00	0.00	NoA/U	0.00	0.00	NoA/U
47	Al-Falah	0.50	965.90	Against	0.30	0.00	NoU	0.40	0.08	Under
	Sub Total	41712.92	88281.94		17.00	9.67		36.72	0.86	
	Grand Total	106360.91	386310.33		2145.35	157.65		845.92	42.43	

Source: Review of CSR initiatives of banks-2011, Bangladesh Bank July 2012

From the table 3 it can be observed that during the year 2014, although the banks have allocated substantial amount for their overall green banking initiatives, in case of utilization the scenario is different except green finance.

5.4.2 Online Banking Scenario in 2014

Table 4. Online Banking Scenario

Type of Banks	Total Branches	Number of	Number of Branches with online Banking Facility	(%) of Branches with online Banking Facility
State owned Commercial Banks	3482		177	5.08
Specialized Banks	1457		77	5.28
Private Commercial Banks	3378		3116	92.24
Foreign Commercial Banks	75		75	100.00
Total	8392		3445	41.05

Source: Review of CSR initiatives of banks-2011, Bangladesh Bank July 2012

From the above table 4 showed that Online banking scenario looks promising where 3445 out of 8392 number of branches i.e. 41.05% are equipped with online banking services. Thirty seven banks mainly private and foreign commercial banks are fully automated ensuring online banking services in each of their branches. 92.24% of the total branches of PCBs have been brought under online banking coverage. 5.08% of the total branches of State Owned Commercial Banks (SCBs) and 5.28% of Specialized Development Banks have been brought under online banking coverage respectively.

5.4.3. Scenario of Internet & SMS Banking In 2014

Table 5.Scenario of Internet & SMS Banking

Types of Bank	Total Number of Accounts	Internet Banking Facility		SMS Banking Facility	
		Number of Accounts with internet Banking Facility	Percent of Accounts with internet Banking Facility	Number of Accounts with SMS Banking Facility	Percent of Accounts with SMS Banking Facility
State Owned Commercial Banks	27058490	21	0.000078%	1353	0.0050%
Specialized Banks	13957321	0	0.00%	0	0.00%
Privet Commercial Banks	25490410	666916	2.62%	1971106	7.73%
Foreign Commercial Banks	482783	149541	35.71%	165978	39.64%
Total	66924944	816478	1.22%	2138437	3.20%

Source: Review of CSR initiatives of banks-2011,Bangladesh Bank July 2012

From the above table showed that Banks have started to concentrate on mobile banking, SMS banking and internet banking. It shows from the returns that 3.20% and 1.22% of the total number of accounts have been facilitated with SMS banking and internet banking respectively. The State-owned Commercial Banks (SCBs) and Specialized Development Banks need to go a long way in Online, Internet & SMS Banking.

6. Findings

- During 2014, 87% of the scheduled commercial banks utilized more than their allocated budget for green finance, 9% of the banks utilized less than their allocated budget, 2% of the banks although made allocation for green finance but did not utilized the fund and 2% of the banks had no allocation & utilization at all in case of green finance.
- In case of climate risk fund, 45% of the banks had allocated funds but did not make any utilization of it. Besides, a major portion- 30% of the banks had no allocation & utilization of funds in this regard at all. However, 15% of the banks utilized under allocated budget, 8% utilized more than the allocated budget and only 2% made full utilization of the allocated budget.

In case of budget utilization for marketing, training and capacity building, the majority portion that is 38% of the banks had no allocation & utilization at all. Besides, 30% of the banks utilized lower than their allocated budget, 26% made no utilization of the allocated budget, only 4% utilized more than the allocated budget and 2% made full utilization of the allocated budget.

7. Recommendation

- The process of giving loan to the customer is very lengthy for maintaining some rules. So it is needed to create some new process easier.
- The main portion of profit comes from the foreign exchange and credit division, but there is not enough manpower on that branch. So to sanction a loan more it needs to extent the volume of manpower.
- For processing the loan the officers need to prepare proposal. It is a very lengthy process and takes much time for sending to the head office. This can be sent it through E-mail which will reduce the time of span.
- Some loans are proposed from reference are very risky loan, should be reduced. For safety process.
- For opening an account authority officer authorize the form without proper verification. They collect the papers after opening an account. They should not authorize the form without proper verification.
- After every certain period of time it's needed to audit by the external auditor for properly maintaining the process.
- Risk Grading System is not clearly stated on the Credit Proposal. Bank should develop a risk grading system and must be applied while extending loan to the borrower.

8. Conclusion

To save our world from climate change effect there is no alternatives of green solution and green banking is one of the most important green solutions to cope with climate change effect. Green banking may be seen as a component of the global initiative from Banks end to save environment. Green banks or environmentally responsible banks do not only improve their own standards but also affect socially responsible behavior of other business. Logistics Support & Services Division (LSSD) at Bank is mainly a service oriented division. Having integrated logistics & support services in place is a fundamental requirement for LSSD in order to meet its performance goals. Different divisions at Head Office and other branches of the bank are continuously taking support & services from LSSD. This division is working like a nucleus for the entire bank. LSSD is nowadays spending much more effort on providing better goods & services to its users to maintain a strong & long term positive relationship with the branches and other divisions. It has been striving to provide best-in-the-class services to its diverse range of customers spread across the country under an on-line banking platform. The division started with a vision to be the most efficient in providing support services to its customers & the day is not far when it will

reach its desired goal. It looks forward to a new horizon with a distinctive mission to become successful in all respects. The division has a superior customer base. The services provided by LSSD are quite satisfactory & performance of the division has shown positive trends. It is performing quite well in all respects of its service arena with greater customer satisfaction. Its major concentration is always on quality services, not on quantity. Customer focus is its priority, not volume of the business. This concept has differentiated the division easily from the other divisions of the bank. However, since the sky is the limit for improvement, the division is still evolving every day striving to provide its customers with the best possible services. It is trying hard to overcome all its limitations & concentrating much more on the service areas where customer satisfaction is not up to the mark. The division is continuously upgrading its service quality by changing policy & taking necessary steps when needed. No matter whatever the challenges are in the area of service, LSSD is fully equipped to face any obstacle & maintain the standard level of services. If its endeavor continues, it will obviously be able to reach its desired goal of achieving excellence in providing services & supports to the customers.

References

- Ali,L,(2012.) “Global Climate Change and its effect in Bangladesh”. Lecture Notes, Training Cell, SOUTHEAST Bank Limited, Dhaka, presented on September 26, 2012.
- BB Green Banking policy , viewed: July 21, 2012
http://www.basicbanklimited.com/files/Green_Banking_Policy_Guidelines_of_Bangladesh_Bank.pdf
- Green Banking Cell (2014), “Green Banking Report by Bangladesh Bank”, March 2014: Draft report,(viewed 08 March,2014),<http://www.bangladesh-bank..Org.openpdf.php>.
- Green Banking Statement as on June, 2014, Southeast Bank Limited..
[http://www.southeastbank.com.bd/\(Viewed on 08 March,2014.\)](http://www.southeastbank.com.bd/(Viewed on 08 March,2014.))
- [http://www.bangladesh-bank.org/\(Viewed on 08 March,2014\)](http://www.bangladesh-bank.org/(Viewed on 08 March,2014))
- [http://www.globalissues.org/issue/178/climate-change-and-global-warming\(Viewed on 12 March, 2014.\)](http://www.globalissues.org/issue/178/climate-change-and-global-warming(Viewed on 12 March, 2014.))
- IFC Consulting Canada Inc. (2007), “Green Financial Products & Services-CuCrrent Trends and Future Opportunities in North America”, pp. 15-38
- Jeucken, M (2001) “Sustainable Finance and Banking, The finance Sector and The Future of the Planet”. London, Earthscan.
- Keller, K.L. (2008) “Strategic Brand Management” 3rd Edition, Prentice Hall, New Delhi.
- Kotler, P & Armstrong, G.(2006) “Principle of Marketing” 11th Edition, Prentice Hall, New Delhi.
- Kalloch., Bonnie & Bachman, 2011 “Green Banking” Lecture Notes, Missouri S&T (formerly the University of Missouri - Rolla),

Morshed ,M (2011) “Green Banking and Sustainable finance” Lecture Notes ,BIBM, Dhaka, Presented on 12 March 2014.

Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.